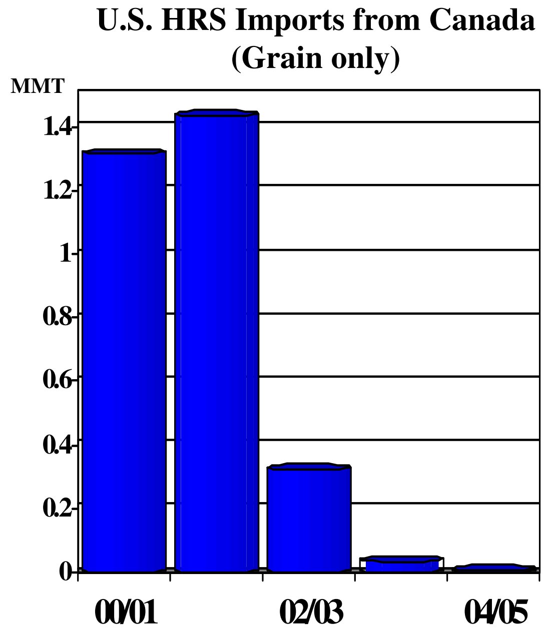
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

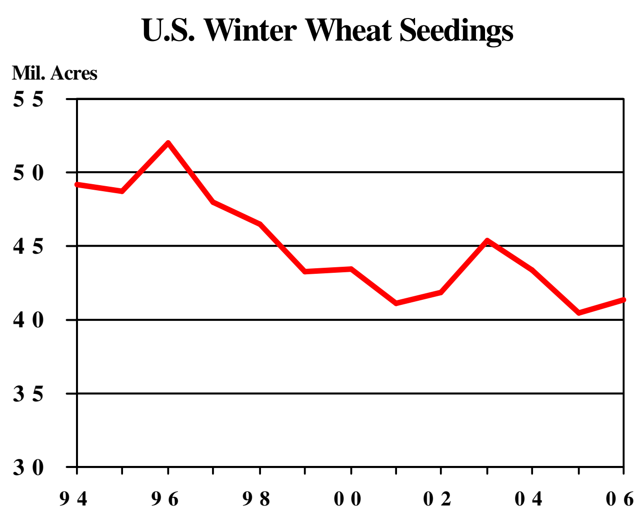
U.S. Imports From Canada Expected To Climb:
U.S. imports of Hard Red Spring (HRS) from Canada are expected to jump from last year's low of 8,000 tons, after recent ITC and NAFTA rulings to remove import duties that had been in place since the spring of 2003; HRS imports had been as high as 1.4 MMT.



When similar U.S. duties on durum wheat were removed in late 2003, durum imports quickly returned to previous higher levels. Total U.S. imports are consequently raised this month by 200,000 tons to 2.4 million tons.

U.S. Winter Wheat Area Up:
U.S. winter wheat seeding area is projected to increase 2 percent mostly due to better planting and germinating conditions for Soft Red Winter (SRW), which is up 19 percent from last year.

Hard Red Winter seedings are down 1 percent from last year. However, some key states actually expanded acreage because of concerns over high costs of fuel and fertilizer for spring-planted crops.

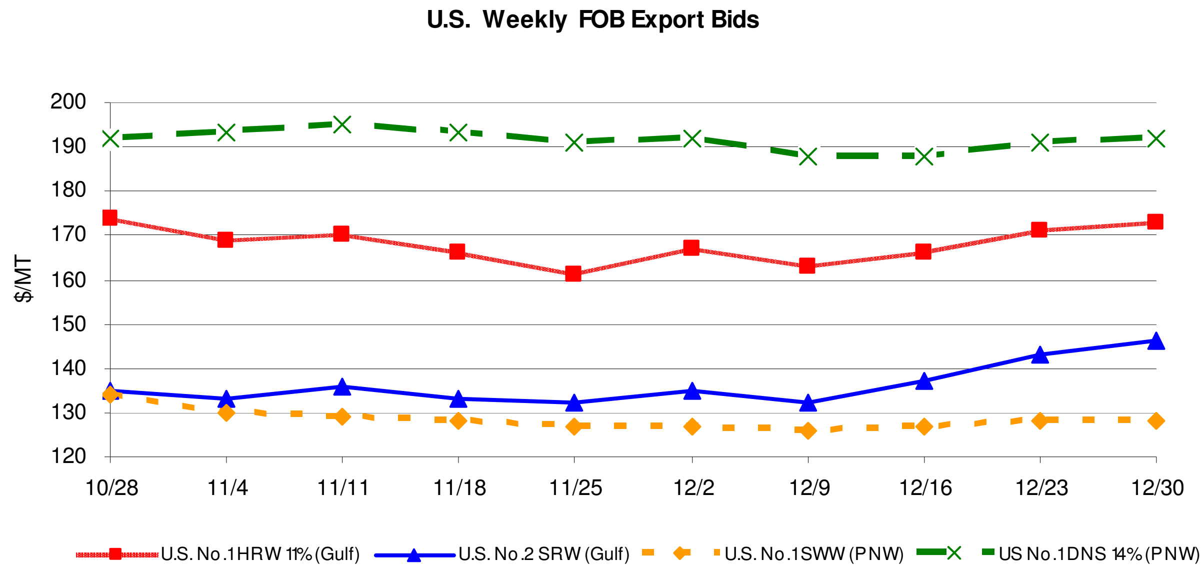


Source: NASS

PRICES:

Domestic: Prices for winter wheat classes rose in December on deteriorating crop conditions, especially in southern HRW belt states where there has been continued dryness.

For the month, HRW prices were up $6 per ton, with SRW up $11 per ton and Soft White up $1 per ton. HRS prices finished the month unchanged.



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Paraguay** is up 100,000 tons to 300,000 with continued strong exports to Brazil.

- **Bulgaria** is up 100,000 tons to 800,000 because of strong shipments to nearby markets.

Selected Importers

- **United States** is up 200,000 tons to 2.4 million on expectations for larger imports of spring wheat from Canada following the removal of duties.